

Ingersoll Machine and Tool COMPANY, LIMITED



Annual 1964 Report



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Ingersoll Machine and Tool Company, Limited

Annual Report 1964

DIRECTORS ●

H. A. WILSON	-	-	-	-	Ingersoll, Ontario
J. D. DUNCAN	-	-	-	-	Ingersoll, Ontario
A. G. WARDEN	-	-	-	-	Ingersoll, Ontario
J. B. MITCHELL	-	-	-	-	Ingersoll, Ontario
K. C. SWANCE	-	-	-	-	Ingersoll, Ontario

OFFICERS ●

President and General Manager	-	-	H. A. WILSON
Vice-President	-	-	A. G. WARDEN
Secretary-Treasurer	-	-	J. D. DUNCAN

Transfer Agent and Registrar ●

THE CANADA TRUST COMPANY - Toronto, Ontario

Auditors ●

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants
London, Ontario

H E A D O F F I C E - - I N G E R S O L L , O N T A R I O

Ingersoll Machine and Tool Company, Limited

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors submit the following report on the company's affairs together with the audited consolidated balance sheet and consolidated statements of income and surplus of the company and its subsidiary company Morrow Screw and Nut Company Limited for the year ended December 31, 1964.

SALES

The combined sales of the parent company and its subsidiary for the year ended December 31, 1964, amounted to \$8,469,000 compared with \$7,613,700 for 1963, an increase of \$855,300. Both the parent and its subsidiary contributed to the increase showing increases of \$549,000 and \$306,300 respectively. Although automotive steering gears still account for the majority of sales to the parent company the trailer axles which are manufactured under license from the Standard Forge & Axle Company of Montgomery assume greater significance year by year. In 1964, the sales of trailer axles increased by 36% over their 1963 figure.

EARNINGS

The consolidated net income before provision for depreciation and Dominion and Provincial income taxes amounted to \$428,700, compared with \$366,300 in 1963. The net consolidated profit after adjusting for the above-mentioned items and for the minority shareholders' portion of the net earnings of the subsidiary company was \$152,100 which was transferred to the consolidated surplus account.

Four quarterly dividends of \$1.00 per share were declared and paid upon the 4% preferred shares, four quarterly dividends of 12½c per share were declared and paid upon the Class "A" common shares and one dividend of 25c per share was declared and paid upon the Class "B" common shares. The sinking fund requirements in connection with the preferred stock have been complied with. The consolidated surplus accounts were increased by a net amount of \$168,500. Thus at December 31, 1964, the consolidated earned surplus amounted to \$2,443,600, and the consolidated capital surplus amounted to \$294,000, a total of \$2,737,600.

CAPITAL EXPENDITURES

During 1964 additions to plant and equipment amounted to \$341,400 and disposals amounted to \$36,500. During the five years ended December 31, 1964 there has been added to plant and equipment \$864,300.

FINANCIAL POSITION

The consolidated balance sheet discloses current assets amounting to \$3,120,800 and current liabilities amounting to \$1,353,700 leaving a net consolidated working capital of \$1,767,100. This is a decrease during the year of \$152,300 attributable to the increased capital expenditures.

SHAREHOLDERS' EQUITY

The equity of the shareholders in the consolidated assets of the company as at December 31, 1964 amounted to \$3,080,500 as represented by capital and surplus. This is equivalent to \$1,952 per 4% preferred share outstanding and after deducting the preferred stock at par value to \$17.81 per share for the combined Class "A" and Class "B" common shares.

OUTLOOK FOR 1965

Before discussion of the prospects for 1965, we must take account of the effects on the parent company of the Canada-U.S. Automotive Pact introduced on January 18, 1965. Both Governments have been less than frank in announcing the details of the Plan, and up to the present, only the bare bones of the Agreement have been revealed. However, due in large measure to the efforts of your company, the Minister of Industry has now agreed to a full scale debate in the House of Commons early in the new session of parliament when it is hoped that full details will become known. What appears certain is that companies such as the Ingersoll Machine and Tool Company, Limited which manufacture a product in competition with captive United States plants will be forced to abandon these products, due to their inability to obtain the volume of business required to meet United States costs.

Your directors are awaiting the outcome of the parliamentary debate before making a final decision on the course they intend to adopt, but a vigorous search is already proceeding to obtain alternative product lines to protect your interests.

Although we expect a lower unit output in 1965 than obtained in 1964, price increases have been negotiated which should offset the fall in unit output, and we expect results for 1965 to be comparable with those for 1964. At this stage we do not expect that the Canada-U.S. Automotive Pact will have any adverse effect upon the operation of the subsidiary company.

PERSONNEL

The directors and officers once again express their appreciation to all employees of all divisions for the continued loyalty and support during 1964.

On behalf of the Board,
H. A. WILSON,
President.

Ingersoll Machine & Tool

(Incorporated under the Companies Act of Canada)
AND ITS SUBSIDIARIES

MORROW SCREW AND NUT WORKS CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

Accounts receivable	\$1,005,335.74	
Less—Allowance for doubtful accounts	17,046.14	\$ 988,289.60
Inventories, at the lower of cost or market value.....		2,025,223.31
Government of Canada bonds having an approximate market value of \$58,048.00.....		62,250.00
Prepaid expenses		45,010.81
		\$3,120,773.72

INVESTMENTS—at cost

Shares in a Canadian company.....	\$ 9,500.00	
Life Insurance—Cash surrender value	70,169.28	
Mortgage receivable	24,000.00	
		\$ 103,669.28

FIXED ASSETS—at cost	\$4,948,455.70	
Less—Accumulated depreciation	3,090,901.21	

\$1,857,554.49

\$5,081,997.49

bol Company, Limited

(Companies Act of Canada)
SUBSIDIARY

ST COMPANY LIMITED

STATE AS AT DECEMBER 31, 1964

LIABILITIES

CURRENT LIABILITIES

Bank indebtedness	\$ 691,818.51	
Accounts payable—Trade	657,315.82	
Income taxes payable	4,598.28	
		\$1,353,732.61

MINORITY INTEREST—Morrow Screw & Nut Company Limited

Preferred Shareholders—Capital	\$ 64,100.00	
Common shareholders—Capital and Surplus.....	583,679.10	
		\$ 647,779.10

SHAREHOLDERS' EQUITY

Capital stock —		
Authorized		
1,579 4% Cumulative redeemable preferred sinking fund shares at par value of \$100.00 each		
100,000 Class "A" Common shares of no par value		
100,000 Class "B" Common shares of no par value		
Issued and Outstanding:		
1,579 Preferred shares	\$ 157,900.00	
82,040 Class "A" Common shares.....	92,474.91	
82,040 Class "B" Common shares	92,474.90	
		\$ 342,849.81
Capital surplus arising from redemption of preferred shares	293,997.82	
Consolidated earned surplus per accompanying statement..	2,443,638.15	
		\$3,080,485.78
		\$5,081,997.49

Approved on behalf of the Board:

H. A. WILSON, Director.

A. G. WARDEN, Director.

INGERSOLL MACHINE AND TOOL COMPANY, LIMITED

AND ITS SUBSIDIARY MORROW SCREW AND NUT COMPANY LIMITED

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1964

(With comparative figures for the prior year)

	1964	1963
Sales	\$8,468,968.93	\$7,613,709.83
Less—Manufacturing, selling and administrative costs excluding depreciation	8,040,299.45	7,247,381.56
Net operating income before depreciation and provision for income taxes.....	\$ 428,669.48	\$ 366,328.27
Less—Depreciation	\$ 174,932.16	\$ 167,641.00
Provision for income taxes (Note 1).....	74,948.28	54,415.00
	\$ 249,880.44	\$ 222,056.00
Net income before minority interest.....	\$ 178,789.04	\$ 144,272.27
Minority interest	26,643.12	21,398.09
Net income	\$ 152,145.92	\$ 122,874.18

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1964

Balance—January 1, 1964	\$2,283,707.93
Add—Net profit for the year.....	152,145.92
	\$2,435,853.85
Less—Dividends paid	67,646.21
	\$2,368,207.64
Add—Excess of book value over cost of shares purchased in subsidiary company	79,289.69
	\$2,447,497.33
Less—Adjustment of minority interest.....	3,859.18
Balance—December 31, 1964.....	\$2,443,638.15

NOTE 1

The provision for income taxes has been reduced by \$53,000.00 since the capital cost allowance claimed for tax purposes exceeded the depreciation recorded in the accounts.

RIDDELL, STEAD, GRAHAM & HUTCHISON

Chartered Accountants

ESTABLISHED 1869

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P.O. Box 341

London, Ont.

To the Shareholders of
Ingersoll Machine and Tool Company, Limited.

We have examined the consolidated balance sheet of Ingersoll Machine and Tool Company, Limited and its subsidiary Morrow Screw and Nut Company Limited as at December 31, 1964 and the consolidated statements of income and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of income and surplus, together with the note attached thereto, present fairly the financial position of Ingersoll Machine and Tool Company, Limited and its subsidiary as at December 31, 1964, and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell Stead Graham & Hutchison

March 29, 1965.

INGERSOLL MACHINE AND TOOL COMPANY, LIMITED

AND ITS SUBSIDIARY MORROW SCREW AND NUT COMPANY, LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 1964

(With comparative figures for the prior year)

ASSETS

CURRENT ASSETS

	1964	1963
Marketable securities	\$ 62,250.00	\$ 62,250.00
Receivables—Net	988,290.00	1,092,143.00
Inventories	2,025,223.00	2,024,207.00
Prepaid Expenses	45,011.00	42,714.00
	\$3,120,774.00	\$3,221,314.00

PROPERTIES

Land, Building and Machinery.....	\$4,948,455.00	\$4,642,969.00
Less—Accumulated depreciation	3,090,901.00	2,944,370.00
	\$1,857,554.00	\$1,698,599.00

OTHER ASSETS

Investment in a Canadian Company.....	\$ 9,500.00	\$ 9,500.00
Life insurance—Cash surrender value	70,169.00	66,175.00
Mortgage receivable	24,000.00	
	\$ 103,669.00	\$ 75,675.00

Total Assets		
	\$5,081,997.00	\$4,995,588.00

LIABILITIES

CURRENT LIABILITIES

MINORITY INTEREST IN SUBSIDIARY	\$1,353,732.00	\$1,301,941.00
	647,779.00	781,694.00
	\$2,001,511.00	\$2,083,635.00

CAPITAL STOCK AND SURPLUS

Capital Stock	\$ 342,850.00	\$ 342,850.00
Capital Surplus	293,998.00	285,395.00
Earned Surplus	2,443,638.00	\$2,283,708.00

SHAREHOLDERS' EQUITY		
	\$3,080,486.00	\$2,911,953.00

Total Liabilities		
	\$5,081,997.00	\$4,995,588.00

NET WORKING CAPITAL		
	\$1,767,042.00	\$1,919,373.00

